P.2019/106 P&RC Lett Com

Policy & Resources Committee

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Dear Sir

Letter of Comment – Proposition No. P.2019/106 – Committee *for* Employment & Social Security – Non-Contributory Benefit Rates for 2020

The Policy & Resources Committee is pleased that the proposals for Non-Contributory Benefit Rates for 2020 are being considered at the same States Meeting as the 2020 Budget Report. This is a significant improvement towards the States simultaneously considering and prioritising all States expenditure that affects the general revenue position. However, the submission of the Non-Contributory Benefit Rates proposals as a separate policy letter continues the potential for misalignment if the allocations approved as part of the Budget Report are not sufficient to fund proposals included in the Non-Contributory Rates policy letter. The non-contributory benefits expenditure is expected to be approximately £60million in 2020, a significant 14% of the total general revenue budget.

In considering the non-contributory benefit rate proposals, the Policy & Resources Committee is very conscious that the inevitable consequence of any increase in the benefit expenditure, whether arising from rate rises; demand variations; or other policy changes, is a commensurate decrease in funding available for other critical service areas. It is fully accepted that the formula-led classification of these benefits means that there is no option but to fully fund any additional expenditure arising as a result of demand changes.

However, there is discretion in considering the level of benefit rises to be applied and in the introduction of policy changes including those which extend the scope of the benefit to encompass additional claimants or increase the benefit paid to existing claimants. It is entirely appropriate that these measures which result in non-demand led (i.e. policy led) increases in expenditure on benefits should be subject to the same level of scrutiny and prioritisation as any other request for additional budget.

Members note that it is proposed that non-contributory benefits are increased by 1.9% which is in line with the usual uprating practice. As a result of the arrangements for the introduction of Income Support, it was anticipated that expenditure would reduce by approximately £270,000 in 2020 as transitionary payments for those individuals whose overall support decreased under the new arrangements are phased out. However, due to a small but consistent upward trend in the number of claimants, demand has been greater than previously anticipated for which provision of an additional £500,000 has been made in the 2020 estimate.

The proposal for an increase in the benefit limitation to £850 per week is a real-terms' increase of approximately £85 per week (11%) and is estimated to cost an additional £275,000 per annum (after netting off the saving in the transition costs of introducing Income Support) for existing claimants. In addition, there will be a cost, which is unquantified, if this significant rise in the benefit limitation results in an increase in the number of claimants (i.e. from those who are currently not entitled to claim or choosing not to claim due to being entitled to relatively small amounts). This proposal for a substantial increase in the benefit limitation is being made in advance of the Committee *for* Employment & Social Security returning to the States with a policy letter addressing the future of the benefit limitation, earnings disregard and personal allowance, which it previously advised the States would be submitted by March 2019.

The real-terms' increase in personal allowance to residents of residential or nursing homes who qualify for income support is estimated to cost £26,200 per annum above a routine RPIX increase.

These two proposals for real-terms' increases in the benefits payable to specific groups of claimants have been assessed as Budget 2020 service development funding requests and assessed alongside other such requests in respect of non-formula led budgets. These two requests have not been prioritised within the service development allocation recommended in the 2020 Budget Report and therefore no funding would be available. However, there would be funding for the benefit limitation increase if the States approve the option of a 10% increase in commercial TRP tariffs in addition to the introduction of increased TRP tariffs for properties with a TRP rating between 200 and 499.

Therefore, should the Budget not provide funding for the policy changes proposed in this policy letter, the propositions will need to be adjusted to align with the level of funding approved by the States.

The Committee notes the intention to commission an independent analysis of the basket of goods in order to update the minimum income standard for Guernsey. Should there be any consequential proposals to increase the income support benefit rates then these will need to be considered as part of the annual budget. As such the Policy & Resources Committee would wish to work with the Committee *for* Employment & Social Security on this.

The Committee notes that the Committee *for* Employment & Social Security has not prioritised resources to fulfil the States resolution on addressing the future of the benefit limitation, earnings disregard and personal allowances by March 2019 or on reviewing the winter fuel allowance. If requested, the Policy & Resources Committee will seek to assist in expediting progress by allocating additional resource to support work on these areas.

Yours sincerely

Deputy Gavin St Pier
President